

October 24, 2011

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Comment on Proposed Ruling on Section 239.8(d) of Regulation M

Dear Ms. Johnson:

I appreciate the opportunity to comment on the proposed rule regarding the waiver of dividend to Mutual Holding Companies (MHCs). I represent a small MHC with \$226 million in total assets located in Eastern Kentucky. Our company has two (2) bank subsidiaries which are more than well capitalized. We have existed under the MHC form since 2005 and have utilized the dividend waiver with each quarterly dividend paid to our public shareholders.

We converted from the mutual thrift ownership type to the MHC form of ownership in 2005. Much study and thought went into adopting this type of ownership. We felt that this was the best form of ownership for our customers, employees and our communities because of our high capital levels. We feel this type of ownership gives us greater operating flexibility, enables us to manage our capital better and limit any unappreciated take-over attempts.

I believe the board's efforts to dictate the terms by which MHC boards determine waived dividends is a disservice to the loyal investors of our company and is contrary to the intent of Congress's provision for continued waived dividends in the Dodd-Frank Act.

The two (2) things that trouble me greatly; the first is the requirement to obtain a positive vote from mutual members. I do not think that this can be done. Not only would it be costly and time consuming we feel it would upset out depositor and stockholder base and cause them much anxiety as we do not feel they would understand what we were attempting to do. And, in our present economic times, we would not want to cause them confusion or doubt as we do not feel that many of them understand the MHC form of ownership.

My second objection is to the language and negative treatment of MHC directors and as I understand it, even the threat of dividends not being paid to the Employee Stock Option Plan (ESOP).

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Mr. Whitaker to Ms. Johnson

In my 40 years of experience in this business I have converted three (3) mutual institutions to public form of ownership and if the members of the boards had not stepped up and bought large blocks of stock in the initial public offerings (IPO) in the conversion would not have been accomplished. This is really the only way the MHC can raise capital. There is no debate that not paying dividends to allocated and non-allocated shares of the ESOP is a disservice to the institution and effects every employee from the lowest paid to the highest paid.

In our institution the ESOP is a one of the contributions to our retirement plan and this would seriously hinder our employees from building adequate retirement resources.

I do not understand paying dividends to a parent MHC as it basically has no assets, sells no services and offers nothing. I cannot imagine the nightmares an accountant would have in booking these dividends. This could also create new federal and state taxes, which would be of no benefits, certainly to ourselves.

It is our sincere hope that the Board will reconsider its proposal and conform to the intent of Dodd-Frank, this allowing for the waiver of MHC dividends to be treated as it was set forth several years ago under the rules and regulations of the OTS.

Sincerely yours,

Tony D. Whitaker  
President and CEO

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Dear Ms. Johnson:

I have been employed at First Federal Savings & Loan Association of Hazard, Kentucky since 1971. It has been my only job.

I have enjoyed working at First Federal and can honestly say that I think I am a better person due to my employment. When we converted to a MHC in 2005 I was made a member of our employee stock option plan (ESOP).

I am the Secretary of First Federal and I am responsible for the maintaining of the minutes of our meetings. Needless to say, I have gleaned much knowledge just listening to our different directors. I feel that our directors were very glad to allow us to become members of an ESOP and to date I feel that it has been very beneficial to me and has been handled in a manner that will benefit me in the future.

When you put a lifetime into a job, any benefit helps you to appreciate your position more. I have this appreciation and the purpose of this letter is to ask that you and the other members of the Board of Governors to determine to allow the system to continue as it designed under the OTS rules and regulations.

Thank you for taking time to consider my opinion.

Sincerely yours,

Deborah C. Bersaglia  
Vice-President/Secretary